

MEDIA RELEASE

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INTEGRITY AND QUALITY NEEDED IN THE B-BBEE VERIFICATION PROCESS TO STOP FRONTING PRACTICES

The Acting Commissioner for the Broad-Based Black Economic Empowerment (B-BBEE) Commission, Ms Zodwa Ntuli says fronting B-BBEE transactions, followed by fraudulent verification certificates, leads in a number of reported cases and complaints they've received since the Commission was established last year. Ms Ntuli was speaking at the seminar for Verification Professional hosted today in Boksburg.

The seminar, which was attended by more than two hundred (200) B-BBEE practitioners, which include verification agents, consultants and advisors, was meant to engage practitioners on concerns on matters affecting B-BBEE legislation.

According to Ntuli, the total number of complaints since the establishment of the commission demonstrates challenges where legislation is not properly implemented. She further mentioned that the verification process is a critical part of concerns raised during stakeholder engagements as South Africa currently cannot confidently rely on the certificates issued.

"The verification process must assist with achieving compliance and proper implementation. It must provide the necessary assurance that what the company says about its B-BBEE status is indeed correct and can be relied upon. It is the most critical part of B-BBEE as government entities dealing with companies ought to trust that the certificate is worth the paper it is written on," she said.

Ntuli added that there are indications that some agents award points to companies without even verifying if indeed the status is correct.

“For instance, points are awarded to shareholding that still is subjected to debt payment or where no economic benefit flows to the shareholders at all, when this should not be the case. With proper verification, these issues will be identified and prevented.” said Ntuli,” said Ntuli.

Ntuli said without proper verified B-BBEE processes, the country process through reports that are not correct and doctored to make everyone to believe that transformation is happening when such is not the case.

“Verification professionals have an obligation to report practices that undermine the Act to the commission. The commission also has the powers to investigate practices, including where agents have failed to report fronting practices, or have aided companies to circumvent the Act,” Ntuli added.

Ntuli advised the agencies and consultants to ensure that their clients and company move away from the tick box exercises to more strategies attention on B-BBEE. She said if B-BBEE is not part of the strategy it cannot be successfully implemented.

“The B-BBEE legislation is a redress intervention, but since 2003 we haven’t seen significant progress in it to say it is no longer necessary. We must accelerate it to achieve the necessary inclusivity in line with the NDP. The longer it takes for the private sector to actually transform the longer the B-BBEE legislation will exist in our law books,” she said

“Our role as the commission is not be a defender of the particular sector of the economy, ours is to look at the implementation of the legislation and not be pro or anti anyone, We are pro economic transformation and we will not hesitate to use the powers in the Act to achieve this objective, ” she added.

The Acting Commissioner urged the private and public to collaborate and work together as it is critical for the legislation to succeed.

“We must talk and engage more, and continuously identify issues that require guidance in the codes and legislation. This will ensure that the legislation, regulation and the codes are simplified, and that we all work on the same page,” said Ntuli.

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